Proskauer

# PTO Defends its Recent Policy Changes Regarding Discretionary Denials

**The Patent Playbook** on **July 24, 2025**

In the past few months, the U.S. Patent and Trademark Office ("PTO") Acting Director has made substantial changes to the process for, and factors considered in, exercising discretion to deny institution of an *inter partes* review ("IPR") petition. We have discussed these changes and recent decisions in prior blogs. Now, the PTO is facing legal challenges stemming from these policy changes. In one pertinent example, SAP America, Inc. filed a Petition for Writ of Mandamus to the Federal Circuit resulting from the PTO's discretionary denial of its IPR petition, challenging the PTO Acting Director's authority to enforce these new policies.

On October 1, 2024, SAP America filed an IPR petition seeking to invalidate a patent that was asserted against it in a pending district court litigation. In its IPR petition, SAP America argued that the PTO should not exercise its discretion to deny institution based on the factors and guidance within the former PTO Director's June 2022 memorandum. The current Acting Director's decision to rescind this guidance memorandum was issued on February 28, 2025. The PTO denied institution of SAP America's IPR petition under its discretion on April 7, 2025. In its decision, the PTO found that SAP America's *Sotera* stipulation had "limited practical effect"—a factor which, under the previous guidance, would have been accorded significant weight against exercising discretion to deny institution.

On April 17, 2025, SAP America asked the Federal Circuit to review the PTO's revocation of the prior Director's guidance on discretionary denials. Since SAP America's initial filing, the PTO has provided additional guidance regarding discretionary denials, including the relevant factors that will be considered and implementing a new, bifurcated process governing how institution decisions are made. SAP America argued that the PTO's actions violated due process—by retroactively revoking "binding agency guidance"—and further violated the separation of powers by "effectively rewrit[ing]" the IPR statute. SAP America asked the Federal Circuit to make applicable the June 2022 memorandum to all IPR petitions that were filed prior to the current Acting Director's February 2025 decision to rescind that guidance.

On July 18, 2025, the PTO Acting Director submitted her response. First, the Acting Director contended SAP America's writ petition was procedurally improper. She argued SAP America's claims should have been addressed at the PTO and were "capable of remedy through the administrative process." Summarily, because SAP America failed to raise these complaints before the PTO, the Federal Circuit should decline the opportunity to review them now. Additionally, the Acting Director argued SAP America's claims were barred under 35 U.S.C. § 314(d) which precludes judicial review of PTO institution decisions.

In her response, the Acting Director also engaged with the merits of SAP America's arguments concerning the constitutionality of her actions regarding discretionary denials. She emphasized her Congressionally-approved "wide latitude to manage AIA proceedings." And she further explained that she "faces a significantly different situation than existed in 2022." Highlighting the backlog of PTAB cases, fewer available judges, and hiring freeze as factors that underlie the necessity of her issued policy changes regarding discretionary denials, the Acting Director argued her actions were both legally allowable and administratively necessary.

Whether the Federal Circuit will entertain SAP America's pleas remains to be seen. While the current PTO guidance is unlikely to change based on the pending writ, the outcome could alter the course of future IPR institution denials. As we have emphasized previously, these PTO policy changes are reshaping both petitioner's IPR strategies and patentees' litigation approaches. The Proskauer Team is continuing to monitor the PTO's evolving guidance on discretionary denials and decisions as well as legal challenges to the PTO's guidance. We are happy to discuss any questions you may have regarding how these developments may affect your IPR strategy.

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